

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Bear Lake	County Manistee
Fiscal Year End February 28, 2006	Opinion Date October 31, 2006	Date Audit Report Submitted to State November 22, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

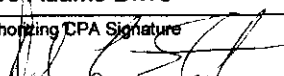
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Dale L Stanton		Telephone Number (989) 837-0814		
Street Address 405 Adams Drive		City Midland	State MI	Zip 48642
Authorizing CPA Signature 		Printed Name Dale L Stanton		License Number 1101022087

VILLAGE OF BEAR LAKE

VILLAGE COUNCIL

Glen Moore  
President

Carol Urbanus  
Council Member

Vern Best  
Council Member

Robert Howe  
Council Member

Don Hyrns  
Council Member

Ricke Guerne  
Council Member

Ron Ronning  
Council Member

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Dale L. Stanton  
*Certified Public Accountant*

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To the Village Council  
Village of Bear Lake  
Bear Lake, Michigan

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Village of Bear Lake, Manistee County, Michigan, as of February 28, 2006, and for the year then ended, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Bear Lake's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Village of Bear Lake as of February 28, 2006, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedule is not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Village of Bear Lake's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material aspects in relation to the financial statements taken as a whole.

To the Village Council  
Village of Bear Lake  
Bear Lake, Michigan

As described in the footnotes, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and related statements as of March 1, 2004.

A handwritten signature in black ink, appearing to read 'D. Stanton', with a stylized flourish at the end.

Dale L. Stanton  
Certified Public Accountant

October 31, 2006

**Village of Bear Lake**  
**Manistee County, Michigan**

**Management's Discussion and Analysis**

For the year ended February 28, 2006

**Management's Discussion and Analysis**

The management of the Village of Bear Lake, Michigan ("the Village") offers this narrative overview and analysis of the financial activities of the Village for the fiscal year ended February 28, 2006 for the benefit of the readers of these financial statements. This management's discussion and analysis is intended to assist the reader in focusing on significant financial issues and to provide an overview of the Village's financial activity. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

**Financial Highlights**

**Government-Wide**

The assets of the Village exceeded its liabilities at the close of this fiscal year by \$721,408 (shown as *Net Assets*), representing an increase of \$24,208 over the previous fiscal year. Governmental Funds represented \$13,228 of this increase, while Business-Type activities accounted for an increase of \$10,980.

**Fund Level Financial Highlights**

As of February 28, 2006, the governmental funds of the Village of Bear Lake reported combined ending fund balances of \$214,761, of which \$93,283 is undesignated. The unreserved fund balance of the Village's General Fund increased this year to \$93,283.

**Long-Term Debt**

The Village of Bear Lake did not have any long-term debt.

**Overview of the Financial Statements**

The Village of Bear Lake's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements** This report includes government-wide statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide a broad overview of the Village's financial position. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the Village as a whole, and provide measurements of long-term trends. They are presented using a method of accounting that is similar to a private-sector business.

**Village of Bear Lake**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended February 28, 2006**

The *Statement of Net Assets* presents information on all of the Village's assets and liabilities, the difference between the two being reported as the Net Assets of the Village. Over time increases or decreases in net assets can serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. An increase in net assets would indicate an improvement in financial condition. On the other hand, a consistent decrease over time in net assets may indicate a decline in the financial health of an organization.

The *Statement of Activities* gives the information on the revenues and expenses causing the underlying change in the government's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows.

Both of these statements distinguish functions of the Village that are principally supported by property taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Governmental activities of the Village include general government, public safety, major and local streets, public works, culture and recreation. Business-type activities of the Village include water services.

**Focus on Funds**

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus has shifted, however, to Major Funds, rather than the previous focus on fund types. The Village's major Governmental Funds include the General Fund, Major Street Fund, Local Street Fund, Parks Fund, Building Fund, and the Equipment Replacement Fund. The major Proprietary Fund is the Water Fund. Presentation of major funds can be found later in this document.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Village of Bear Lake uses fund accounting to ensure compliance with finance-related legal requirements. There are two basic types of funds: governmental funds, and the proprietary funds.

***Governmental Funds*** Many of the Village's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide statements. These items are recorded in the governmental fund statements on the Statement of Revenues, Expenditures and Changes in Fund Balance as an expenditure. No depreciation is recorded on capital items. The Balance Sheet for governmental funds does not include any capital items or long-term debt. Governmental funds for the Village include the General Fund as well as the Special Revenue Funds.

**Village of Bear Lake**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended February 28, 2006**

***Proprietary Fund*** The Proprietary fund accounts for services for which the Village charges its customers for the services they are provided. These charges can be to external customers or other agencies within the Village. The Village has one type of proprietary fund:

- Enterprise funds are used to report business-like activities of the Village. These activities intend to recover the full cost of the services through the fee charged to the customers. The Village has one enterprise fund, which is the Water Fund.

***Component Units*** The Village does not have any component unit that is required to be included in this report.

**Notes to the Financial Statements**

The Notes to the Basic Financial Statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

**Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Village's financial position over time. The Net Assets of the Village are \$721,408 at February 28, 2006, meaning that the Village's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

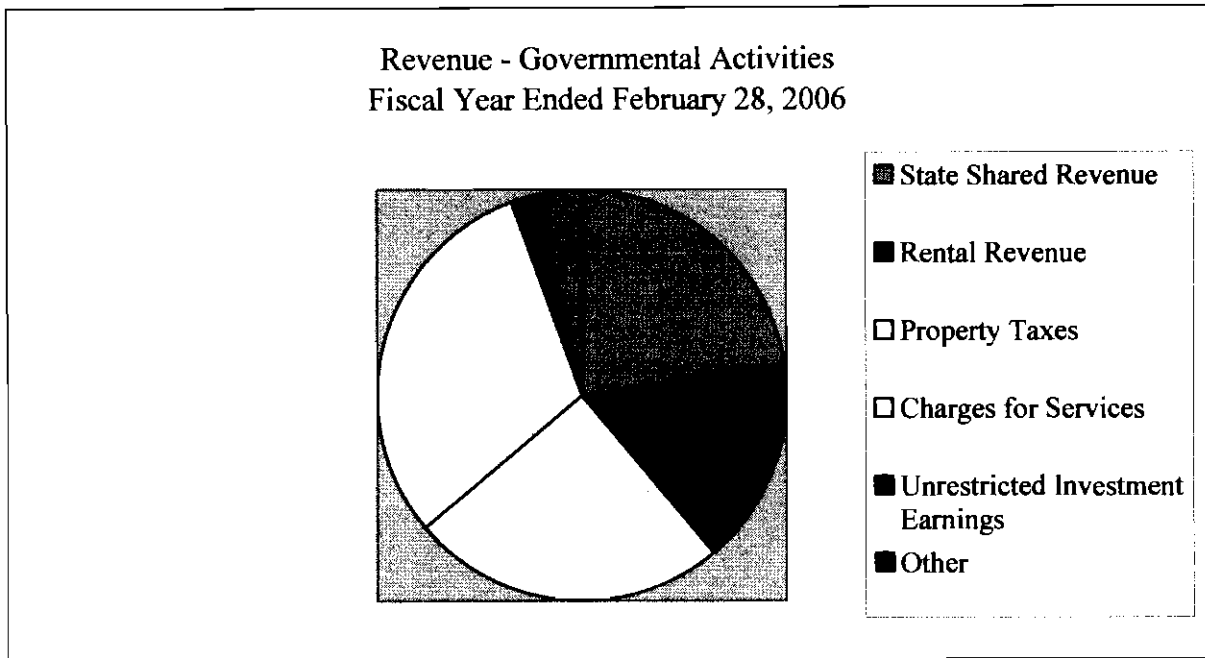
The most significant portion of the Village's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Village used to acquire or construct the asset. The Village has \$302,188 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Village policies regarding their use.

The total net assets of the Village increased \$24,208 in this fiscal year.



**Village of Bear Lake**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended February 28, 2006**

The following chart details the revenue sources for the governmental activities of the Village for the fiscal year ended February 28, 2006:



The most significant portion of the revenue for all governmental activities of the Village of Bear Lake comes from State Revenue Sharing. This figure includes Michigan Transportation Fund (Act 51) money for the Major and Local Streets as well as State revenue for general government operations.

Property Taxes are a significant portion of the revenue for all governmental activities of the Village. The Village's operating millage in 2005 was 9.56 mills. The Village's charter allows the Village to levy up to 12.5 mills for operations. Due to State statutes, the Village is currently at its maximum tax levy, and is unable to increase the millage without the approval of the voters.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax. In 2006, the amount of state shared revenue received by the Village once again trended downward, representing declining sales tax collections and discretionary reductions by the State in revenue sharing payments.

The Village's governmental activities expenses are dominated by the Public Works expenses that total 28.6% of total expenses. The Village spent \$54,163 in FY2005/2006 on Public Works. Expenses in the Major Street Fund (\$19,008) and Local Street Fund (\$22,073) represent a majority of the Public Works expenditures. General government represented another expense at \$93,908, or 49.6% of total expenses within the governmental activities.

**Village of Bear Lake**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended February 28, 2006**

**Business-Type Activities**

The Village's business-type activities accounted for an increase of \$10,980 in the Village's Net Assets for the fiscal year ended February 28, 2006. The Business-type activity of the Village is the Water Fund, which provides water utility services to Village residents as well as commercial customers.

**Financial Analysis of the Government's Funds**

**Governmental Activities** At the completion of the Village's fiscal year ended February 28, 2006, its governmental funds reported fund balances of \$214,761. Of this amount, all is unreserved.

**General Fund** – The General Fund is the main operating fund of the Village. The General Fund increased its fund balance in this fiscal year by \$20,361, bringing the balance to \$93,283. Property tax revenues in the General Fund increased \$7,396 in 2006. State shared revenue increased by \$3,882 from the amount received in the previous fiscal year.

**Major Street Fund** – The fund balance of the Major Street Fund ended the year at \$745. This was a reduction of \$17,738 from the previous year.

**Local Street Fund** – The fund balance of the Local Street Fund ended the year at \$459. This was a reduction of \$544 from the previous year.

**Proprietary Funds** The Village's proprietary funds provide virtually the same information as the government-wide statements; however more detail may be found in the fund financial statements.

**Water Fund** – The Water Fund ended this fiscal year with \$350,692 in unrestricted net assets. Charges for services yielded an overall increase in operating revenues of \$8,635. The net assets of this fund increased by \$10,980 in 2006. This fund remains in sound fiscal condition moving forward.

**Capital Assets.** The Village's investment in capital assets for the governmental and business-type activities as of February 28, 2006 amounted to \$419,221 (net of accumulated depreciation). Capital assets of the Village include any items purchased that cost in excess of \$1,000 and have an expected useful life of over one year. The Village has invested in a broad range of capital assets.

Additional information regarding the Village's capital assets can be found in the Notes to Financial Statements.

**Village of Bear Lake**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended February 28, 2006**

**Capital Asset and Debt Administration**

**FINANCIAL HIGHLIGHTS**

Our financial status remained stable over the last year. Net assets at February 28, 2006, totaled \$370,716 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$208,016 from governmental activities. Governmental activities had a \$13,228 increase in net assets with no major road improvements.

We did not incur any new debt.

**Contacting the Village's Finance Department**

This financial report is designed to provide the wide variety of users of this document with a general overview of the Village's finances and demonstrate the Village's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to the Village of Bear Lake, P.O. Box 175, Bear Lake, MI 49614.

**Village of Bear Lake**  
**Manistee County, Michigan**  
**Statement of Net Assets**  
**February 28, 2006**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 211,380	\$ 91,426	\$ 302,806
Receivables (Net)	53,691	2,125	55,816
Prepaid Expenses	-	-	-
Capital Assets - Net	158,475	260,745	419,221
<b>Total Assets</b>	<b>423,547</b>	<b>354,296</b>	<b>777,843</b>
<b>LIABILITIES</b>			
Accounts Payable	2,304	47	2,351
Accrued and Other Liabilities	48,006	787	48,793
Deferred Revenue	-	2,770	2,770
Noncurrent Liabilities:			-
Due in More than One Year	2,520	-	2,520
<b>Total Liabilities</b>	<b>52,830</b>	<b>3,604</b>	<b>56,434</b>
<b>NET ASSETS</b>			
Invested in Capital Assets			
Net of Related Debt	158,475	260,745	419,221
Restricted for			
Public Programs	-	-	-
Other Purposes	-	-	-
Unrestricted	212,241	89,947	302,188
<b>Total Net Assets</b>	<b>\$ 370,716</b>	<b>\$ 350,692</b>	<b>\$ 721,408</b>

*The accompanying notes are an integral part of this financial statement.*

**Village of Bear Lake**  
**Manistee County, Michigan**  
**Statement of Activities**  
**For the Year Ending February 28, 2006**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating	Governmental Activities	Primary Government	
			Grants and Contributions		Business-Type Activities	Total
<b>Primary Government</b>						
Legislative	\$ 5,780	\$ -	\$ -	\$ (5,780)	\$ -	\$ (5,780)
General Government	99,299	52,127	-	(47,172)	-	(47,172)
Public Safety	-	-	-	-	-	-
Public Works	54,163	13,793	-	(40,370)	-	(40,370)
Culture and Recreation	35,546	34,256	-	(1,290)	-	(1,290)
Total Governmental Activities	194,788	100,176	-	(94,612)	-	(94,612)
<b>Business-Type Activities</b>						
Business-type activity	31,543	36,458	3,600	-	8,515	8,515
Total Primary Government	\$ 226,331	\$ 136,634	\$ 3,600	\$ (94,612)	8,515	(86,097)
<b>General Revenues</b>						
Unrestricted Investment Earnings				4,797	2,345	7,142
Other Charges for Services				63,502	-	63,502
State Revenue Sharing				32,828	-	32,828
Miscellaneous				6,713	120	6,833
Transfers				-	-	-
Total General Revenues and Transfers				107,840	2,465	110,305
Change in Net Assets				13,228	10,980	24,208
Net Assets - Beginning				357,488	339,712	697,200
Net Assets - Ending				\$ 370,716	\$ 350,692	\$ 721,408

*The accompanying notes are an integral part of this financial statement.*

Village of Bear Lake  
Governmental Funds  
Balance Sheet  
February 28, 2006

	General Fund	Major Street Fund	Local Street Fund	Park Fund	Equipment Replacement Fund	Building Fund	Total Governmental Funds
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 62,691	\$ 9,183	\$ 14,455	\$ 48,171	\$ 15,669	\$ 61,211	\$ 211,380
Receivables - Net	6,259	-	-	-	-	-	6,259
Due From Other Funds	29,301	6,000	7,969	-	-	-	43,270
Due From Other Governmental Units	4,162	-	-	-	-	-	4,162
Prepaid Expenses	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 102,413</b>	<b>\$ 15,183</b>	<b>\$ 22,424</b>	<b>\$ 48,171</b>	<b>\$ 15,669</b>	<b>\$ 61,211</b>	<b>\$ 265,071</b>
<b>LIABILITIES</b>							
Accounts Payable	\$ 1,211	\$ 112	\$ -	\$ -	\$ -	\$ -	\$ 1,323
Accrued Liabilities	4,919	-	-	981	-	-	5,900
Due To Other Funds	3,000	14,326	21,965	3,192	-	604	43,087
Deferred Revenue	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 9,130</b>	<b>\$ 14,438</b>	<b>\$ 21,965</b>	<b>\$ 4,173</b>	<b>\$ -</b>	<b>\$ 604</b>	<b>\$ 50,310</b>
<b>FUND BALANCES</b>							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved							
Designated for							
Street Improvements	-	745	459	-	-	-	1,204
Other Purposes	-	-	-	43,998	15,669	60,607	120,274
Undesignated	93,283	-	-	-	-	-	93,283
<b>Total Fund Balances</b>	<b>\$ 93,283</b>	<b>\$ 745</b>	<b>\$ 459</b>	<b>\$ 43,998</b>	<b>\$ 15,669</b>	<b>\$ 60,607</b>	<b>\$ 214,761</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 102,413</b>	<b>\$ 15,183</b>	<b>\$ 22,424</b>	<b>\$ 48,171</b>	<b>\$ 15,669</b>	<b>\$ 61,211</b>	<b>\$ 265,071</b>

*The accompanying notes are an integral part of this financial statement.*

**Village of Bear Lake**  
**Governmental Funds**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**February 28, 2006**

Total Fund Balances for Governmental Funds	\$ 214,761
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital Assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land and Land Improvements	\$ 122,572	
Equipment	109,356	
Accumulated Depreciation	<u>(73,453)</u>	158,475

Long-term liabilities are not due and payable in the current period  
and therefore are not reported in the funds.

Compensated Absences	<u>(2,520)</u>
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Net Assets of Governmental Activities	<u><u>\$ 370,716</u></u>
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*The accompanying notes are an integral part of this financial statement.*

**Village of Bear Lake**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended February 28, 2006**

	General Fund	Major Street Fund	Local Street Fund	Park Fund	Equipment Replacement Fund	Building Fund	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 52,127	\$ -	\$ -	\$ -	\$ -	-	\$ 52,127
Licenses and Permits	-	-	-	-	-	-	-
State Grants	32,828	9,476	4,317	-	-	-	46,621
Charges for Services	-	-	-	34,256	-	-	34,256
Interest and Rents	64,392	794	212	1,196	125	1,579	68,299
Other Revenue	5,759	-	-	955	-	-	6,714
<b>Total Revenue</b>	<b>\$ 155,106</b>	<b>\$ 10,270</b>	<b>\$ 4,529</b>	<b>\$ 36,407</b>	<b>\$ 125</b>	<b>\$ 1,579</b>	<b>\$ 208,016</b>
<b>EXPENDITURES</b>							
Legislative	\$ 5,780	\$ -	\$ -	\$ -	\$ -	-	\$ 5,780
General Government	93,883	-	-	-	-	25	93,908
Public Safety	-	-	-	-	-	-	-
Public Works	13,082	19,008	22,073	-	-	-	54,163
Planning	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	35,546	-	-	35,546
Other Functions	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 112,745</b>	<b>\$ 19,008</b>	<b>\$ 22,073</b>	<b>\$ 35,546</b>	<b>\$ -</b>	<b>\$ 25</b>	<b>\$ 189,397</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 42,361</b>	<b>\$ (8,738)</b>	<b>\$ (17,544)</b>	<b>\$ 861</b>	<b>\$ 125</b>	<b>\$ 1,554</b>	<b>\$ 18,619</b>

*The accompanying notes are an integral part of this financial statement.*



**Village of Bear Lake**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Year Ended February 28, 2006**

	General Fund	Major Street Fund	Local Street Fund	Park Fund	Equipment Replacement Fund	Building Fund	Total Governmental Funds
Other Financing Sources							
(Uses)							
Transfers In	\$ -	\$ -	\$ 17,000	\$ -	\$ 10,000	\$ 4,000	\$ 31,000
Transfers Out	(22,000)	(9,000)	-	-	-	-	(31,000)
Total Other Financing Sources (Uses)	\$ (22,000)	\$ (9,000)	\$ 17,000	\$ -	\$ 10,000	\$ 4,000	\$ -
Net Change in Fund Balance	\$ 20,361	\$ (17,738)	\$ (544)	\$ 861	\$ 10,125	\$ 5,554	\$ 18,619
Fund Balance - 3/1/05	72,922	18,483	1,003	43,137	5,544	55,053	196,142
Fund Balance - 2/28/06	\$ 93,283	\$ 745	\$ 459	\$ 43,998	\$ 15,669	\$ 60,607	\$ 214,761

*The accompanying notes are an integral part of this financial statement.*

**Village of Bear Lake**  
**Governmental Funds**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes**  
**in Fund Balance to the Statement of Activities**  
**For the Year Ended February 28, 2006**

Net Change in Fund Balances - Total Governmental Funds	\$	18,619
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Amounts reported for governmental activities are  
different because:

Governmental funds report capital outlays as  
expenditures in the statement of activities. These  
costs are allocated over their estimated useful  
lives as depreciation in the statement of activities.

Depreciation Expense	\$ (5,247)	
Capital Outlay	<u>-</u>	(5,247)

Employee compensated absences are reported on the  
accrual method in the statement of activities, and  
recorded as expenditures when financial resources  
are used in the governmental funds.

Compensated Absences - Beginning of Year	2,376	
Compensated Absences - End of Year	<u>(2,520)</u>	<u>(144)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>13,228</u></u>
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*The accompanying notes are an integral part of this financial statement.*

Village of Bear Lake  
Proprietary Fund  
Statement of Net Assets  
February 28, 2006

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 91,426
Receivables - Net	1,521
Due From Other Funds	<u>604</u>

Total Current Assets	<u>93,551</u>
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Noncurrent Assets

Capital Assets

Water System	398,768
Less Accumulated Depreciation	<u>(138,023)</u>

Net Capital Assets	<u>260,745</u>
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Total Assets	<u>\$ 354,296</u>
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LIABILITIES

Current Liabilities

Accounts Payable	\$ 47
Accrued Liabilities	-
Due To Other Funds	787
Deferred Revenue	<u>2,770</u>

Total Current Liabilities	<u>\$ 3,604</u>
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Total Liabilities	<u>\$ 3,604</u>
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NET ASSETS

Invested in Capital Assets - Net	260,745
Unrestricted	<u>89,947</u>

Total Net Assets	<u><u>\$ 350,692</u></u>
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*The accompanying notes are an integral part of this financial statement.*

**Village of Bear Lake**  
**Proprietary Fund**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended February 28, 2006**

	<u>Water Fund</u>
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 36,458
Wellhead Protection Grant	3,600
Other Revenue	<u>120</u>
Total operating revenues	<u>40,178</u>
<b>OPERATING EXPENSES:</b>	
Salaries and wages	735
Operating supplies	416
Professional services	7,798
Equipment Rental Expense	8,145
Repairs and maintenance	3,833
Utilities	3,100
Other services and support	-
Depreciation	6,423
Miscellaneous Expense	<u>1,093</u>
Total operating expenses	<u>31,543</u>
Operating income (loss)	<u>8,635</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest income	2,275
Royalty Revenue	<u>70</u>
Total non-operating revenues (expenses)	<u>2,345</u>
Net income (loss) before operating transfers	<u>10,980</u>
<b>OPERATING TRANSFERS:</b>	
Operating transfers in	<u>-</u>
Total operating transfers	<u>-</u>
Net income (loss)	10,980
Net Assets, March 1	<u>339,712</u>
Net Assets, February 28	<u><u>\$ 350,692</u></u>

*The accompanying notes are an integral part of this statement.*

Village of Bear Lake  
Proprietary Fund  
Statement of Cash Flows  
For the year ended February 28, 2006

CASH FLOWS FROM OPERATIONS:

Net operating income (loss)	\$ 8,635
Add (deduct) items to reconcile net operating income to net cash flows:	
Depreciation	6,423
Increase (decrease) in accounts payable and accrued liabilities	<u>(385)</u>
Net cash provided (used) from operations	<u>14,673</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

(Increase) decrease in fixed assets	<u>-</u>
Net cash provided (used) from financing activities	<u>-</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	2,275
Royalty Revenue	<u>70</u>
Net cash provided (used) from investing activities	<u>2,345</u>

Net increase (decrease) in cash and cash equivalents for the period	17,018
Cash balance, beginning of the year	<u>74,407</u>
Cash balance, end of the year	<u><u>\$ 91,426</u></u>

*The accompanying notes are an integral part of this statement.*

Village of Bear Lake  
Notes to Financial Statements  
February 28, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Village of Bear Lake, Manistee County, was organized prior to 1900 and covers approximately 36 square miles with the Village's seat located within the boundaries of the Village. The Village operates under the directorship of a Village board consisting of five members. The Village provides the following services: Public safety, highways and streets, culture and recreation, refuse collection, public improvements and general administrative services.

**Component Units:**

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity" certain other governmental organizations are not considered to be part of the Village for financial reporting purposes. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the potential component unit data was not included. The Village has determined that no other outside organization meets the above criteria and, therefore, no other entity has been included as a component unit in the Village's financial statements.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Village adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

**Village of Bear Lake**  
**Notes to Financial Statements**  
**February 28, 2006**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Village as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Village of Bear Lake  
Notes to Financial Statements  
February 28, 2006

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Village are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Village of Bear Lake reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Major Streets Fund* is used to account for the maintenance and construction of the Village's major street system.

The *Local Streets Fund* is used to account for the maintenance and construction of the Village's local street system.

The *Park Fund* is used to account for the financial activity of the Village's parks and recreation activity.

The *Equipment Replacement Fund* is used to account for the financial activity of the Village's equipment replacement activity.

The *Building Fund* is used to account for the financial activity of the Village's building activity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.



**Village of Bear Lake**  
**Notes to Financial Statements**  
**February 28, 2006**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use the restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities and Equity**

***1. Deposits and Investments***

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments - The Village's investment policy is in compliance with state law and authorizes the Village to invest in passbook savings accounts, negotiable and nonnegotiable certificates of deposit, repurchase agreements backed by the United States government or federal agency obligations, United States Treasury bills and bonds, bankers acceptances, federal agency instruments, money market funds and commercial paper. Investments in commercial paper must be rated in one of the two highest rating categories by Standard and Poor's or Moody's and are limited to fifty percent of a funds portfolio in accordance with state statutes.

Investments are stated at fair value which is determined using selected bases. Securities traded on a national exchange are valued at the last reported sales price. Managed funds not listed on an established market are reported at fair value as determined by the respective fund managers based on quoted prices of underlying securities.

***2. Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**Village of Bear Lake**  
**Notes to Financial Statements**  
**February 28, 2006**

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. Village taxes are levied and due July 1, and become delinquent after August 14. Village property tax revenues are recognized when they become both measurable and available for use to finance Village operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Village of Bear Lake totaled \$5,443,966, on which ad valorem taxes levied consisted of 9.56 mills for operating purposes.

***3. Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***4. Restricted Assets***

Certain resources of the Village are classified as restricted assets on the balance sheet when their use is limited.

***5. Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**Village of Bear Lake**  
**Notes to Financial Statements**  
**February 28, 2006**

Property, plant and equipment of the primary government, as well as the component unit are depreciated using the straight-line method over the following estimated useful lives:

ASSETS	YEARS
Buildings	50
Infrastructure	50
Land Improvements	20
Machinery and Equipment	5-10
Office Equipment	5-10
Vehicles	5-10

***6. Compensated Absences***

Employees are allowed to accumulate vacation pay and therefore, an accumulated amount has been shown in the financial statements in accordance with Governmental Accounting Standards Board's Statement No. 16 "Accounting for Compensated Absences."

***7. Long-term Obligations***

In government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***8. Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Village of Bear Lake**  
**Notes to Financial Statements**  
**February 28, 2006**

***9. Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Village Council.
7. The adopted budgets are used a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budget amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.

**B. Major funds with expenditures in excess of appropriations were as follows:**

P.A. 621 of 1978, Section 18(1), as amended, provided that local units shall not incur expenditures in excess of the amount appropriated. The Village adopted budgets on a basis consistent with generally accepted accounting principles (GAAP) for the General and Special Revenue Funds. The approved budgets of the Village were adopted to the activity level. Budgeted amounts are as originally adopted, or amended by the Village Council.

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Deposits and Investments**

At year end, the carrying amount of the Village's deposits was \$302,806. Of the bank balance, \$100,000 was covered by federal depository insurance and \$202,806 was uninsured and uncollateralized.

**Village of Bear Lake**  
**Notes to Financial Statements**  
**February 28, 2006**

**B. Receivables**

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amounts would be immaterial.

**C. Capital Assets**

A summary of proprietary fund type property, plant, and equipment at February 29, 2004 follows:

	<u>Water Fund</u>	<u>Depreciable Life-Years</u>
Land and Improvements	\$ 392,311	10-80
Equipment	<u>6,457</u>	5-40
Total Fixed Assets	398,768	
Accumulated Depreciation	<u>(138,023)</u>	
Net Fixed Assets	<u>\$ 260,745</u>	
Depreciation expense for the year	<u>\$ 6,423</u>	

Primary government capital asset activity for the year ended February 28, 2006 was as follows:

	<u>Balance 2/28/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2/28/06</u>
Nondepreciable capital assets:				
Land	122,571	-	-	122,571
Depreciable capital assets:				
Vehicles	43,523	-	-	43,523
Equipment	<u>65,834</u>	<u>-</u>	<u>-</u>	<u>65,834</u>
	<u>109,357</u>	<u>-</u>	<u>-</u>	<u>109,357</u>
Total capital assets	<u>231,928</u>	<u>-</u>	<u>-</u>	<u>231,928</u>
Accumulated depreciation	<u>(68,206)</u>	<u>(5,247)</u>	<u>-</u>	<u>(73,453)</u>
Governmental activities, capital assets, net	<u>163,722</u>	<u>(5,247)</u>	<u>-</u>	<u>158,475</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Total depreciation expense – general governmental activities \$ 5,247

Village of Bear Lake  
Notes to Financial Statements  
February 28, 2006

**D. Interfund Receivables, Payables and Transfers**

The amounts of interfund receivables and payables are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 29,301	\$ 3,000
Major Street Fund	6,000	14,326
Local Street Fund	7,969	21,965
Park Fund	-	3,192
Building Fund	-	604
Water Fund	604	787
	<u>\$ 43,874</u>	<u>\$ 43,874</u>

**E. Long-Term Debt**

***1. Primary Government***

The Village had no outstanding debt.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village manages this risk through policies held with external insurance companies.

**B. Retirement Benefits**

The Village does not maintain a defined contribution plan. An amount is contributed by the Village into an Individual Retirement Account for the only full-time employee on staff. That Individual Retirement Account was established by the employee, not the Village, and covers only that individual.

**C. Property Taxes**

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied on December 1 and are payable through February 28, at which time they are returned delinquent to the Manistee County Treasurer.

The full levy of the Village's property tax is recognized as revenue of the current period. The uncollected property taxes as of February 28, 2006 are recognized as a current receivable. The Village bills and collects its own property taxes.

**Village of Bear Lake**  
**Notes to Financial Statements**  
**February 28, 2006**

Property taxes levied included 9.56 mill for general operations for the current year. The 2005 taxable value of property located in the Village totaled \$5,443,966. The delinquent real property taxes of Village of Bear Lake are purchased by the County of Manistee. The taxes have been recorded as a revenue for the current year.

**D. Cash and Cash Equivalents**

The Village's deposits at February 28, 2006 are included on the balance sheet under the following classifications:

	<u><i>Balance Sheet Classification</i></u>
	<u><i>Cash and Cash</i></u>
	<u><i>Equivalents</i></u>
Deposits – Bank	<u>\$302,806</u>
Total	<u>\$302,806</u>

**Deposits:**

At February 28, 2006, the book value of the Village's deposits, consisting primarily of demand deposits, was \$302,806. Village deposits are partially insured by the Federal Deposit Insurance Corporation. Of the bank's balance, approximately \$202,806 is uninsured (credit risk Category #1).

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates the financial institution it deposits funds with and assesses the level of risk with this institution; only institutions with an acceptable estimated risk level are used as depositories. The Village deposits are in accordance with statutory authority.

**E. Post Employment Benefits**

The Village currently does not provide post employment benefits to employees.

**F. Total – Memorandum Only**

The combined financial statements of fund types and account groups present total columns for the year ended February 28, 2006, which aggregate the columnar statements by fund type and account group. These columns are presented only for comparative purposes and should not be construed as presenting consolidated financial information.

**Village of Bear Lake**  
**Notes to Financial Statements**  
**February 28, 2006**

**G. Excessive Expenditures over Appropriations for Budgetary Funds**

During the year ended February 28, 2006, the Village incurred expenditures in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditure</u>	<u>Budget Variance</u>
General Fund:			
Treasurer	5,500	7,715	2,215
Public Works	-	13,082	13,082
Special Revenue Funds:			
Major Street Fund:			
Public Works	16,200	19,008	2,808
Park Fund:			
Parks and Recreation	32,050	35,546	3,496

**H. Contingencies**

Under the terms of State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, Village management does not believe such disallowances, if any, will be material to the financial position of the Village.

**I. New Governmental Reporting Model**

The Governmental Accounting Standards Board issued a new reporting model titled *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments* in June of 1999. In accordance with Michigan Department of Treasury guidelines, the Village has implemented the provisions of this statement. Certain significant changes in the statement include the following:

- A management’s discussion and analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations.
- Financial statements prepared using a full accrual accounting for all of the Village’s activities.



*REQUIRED SUPPLEMENTAL INFORMATION*

**Village of Bear Lake**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended February 28, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues:</b>				
Property Taxes	\$ 46,000	\$ 46,000	\$ 52,127	\$ 6,127
State Revenue Sharing	23,000	23,000	32,828	9,828
Local Grants	-	-	-	-
Charges for Services	-	-	-	-
Interest	2,000	2,000	890	(1,110)
Rental Revenue	57,000	57,000	63,502	6,502
Miscellaneous Revenue	2,100	2,100	5,759	3,659
<b>Total Revenue</b>	<u>130,100</u>	<u>130,100</u>	<u>155,106</u>	<u>25,006</u>
<b>Expenditures:</b>				
Legislative	5,000	5,000	5,780	780
General Government:				
Elections	-	-	-	-
Clerk	6,000	6,000	6,012	12
Treasurer	5,500	5,500	7,715	2,215
Audit	-	750	-	(750)
Building and Grounds	78,500	78,500	66,511	(11,989)
Other General Services	22,650	22,650	13,645	(9,005)
Public Works	-	-	13,082	13,082
Culture and Recreation:	-	-	-	-
Capital Outlay	-	-	-	-
<b>Total Expenditures</b>	<u>118,400</u>	<u>118,400</u>	<u>112,745</u>	<u>(5,655)</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>11,700</u>	<u>11,700</u>	<u>42,361</u>	<u>30,661</u>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In	-	-	-	-
Operating Transfers Out	(1,000)	(1,000)	(22,000)	(21,000)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,000)</u>	<u>(1,000)</u>	<u>(22,000)</u>	<u>(21,000)</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	<u>10,700</u>	<u>10,700</u>	<u>20,361</u>	<u>9,661</u>
<b>Fund balances, March 1</b>	<u>72,922</u>	<u>72,922</u>	<u>72,922</u>	<u>-</u>
<b>Fund balances, February 28</b>	<u>\$ 83,622</u>	<u>\$ 83,622</u>	<u>\$ 93,283</u>	<u>\$ 9,661</u>

*The accompanying notes are an integral part of this statement.*

**Village of Bear Lake**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Major Street Fund**  
**For the Year Ended February 28, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue:</b>				
State Shared Revenue	\$ 25,000	\$ 25,000	\$ 9,476	\$ (15,524)
Local Grants	-	-	-	-
Interest Revenue	<u>250</u>	<u>250</u>	<u>794</u>	<u>544</u>
<b>Total Revenue</b>	<u>25,250</u>	<u>25,250</u>	<u>10,270</u>	<u>(14,980)</u>
<b>Expenditures:</b>				
Public Works:				
Highways and Streets:				
Wages	4,000	4,000	300	(3,700)
Employee Fringes	-	-	-	-
Administration	200	200	100	(100)
Repairs and Maintenance	11,000	11,000	1,524	(9,476)
Rentals	1,000	1,000	17,084	16,084
Miscellaneous	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>16,200</u>	<u>16,200</u>	<u>19,008</u>	<u>2,808</u>
<b>Excess (deficiency) of revenues over     expenditures</b>	<b>9,050</b>	<b>9,050</b>	<b>(8,738)</b>	<b>(17,788)</b>
<b>Other financing sources:</b>				
Operating transfers in	-	-	-	-
Operating transfers out	<u>(15,000)</u>	<u>(15,000)</u>	<u>(9,000)</u>	<u>6,000</u>
<b>Total other financing sources</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>(9,000)</u>	<u>6,000</u>
<b>Excess (deficiency) of revenues and     other financing sources over     expenditures and other uses</b>	<b>(5,950)</b>	<b>(5,950)</b>	<b>(17,738)</b>	<b>(11,788)</b>
<b>Fund Balance, March 1</b>	<u>18,483</u>	<u>18,483</u>	<u>18,483</u>	<u>-</u>
<b>Fund Balance, February 28</b>	<u><u>\$ 12,533</u></u>	<u><u>\$ 12,533</u></u>	<u><u>\$ 745</u></u>	<u><u>\$ (11,788)</u></u>

*The accompanying notes are an integral part of these financial statements.*

**Village of Bear Lake**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Local Street Fund**  
**For the Year Ended February 28, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue:</b>				
State Shared Revenue	\$ 12,000	\$ 12,000	\$ 4,317	\$ (7,683)
Interest Revenue	85	85	212	127
Other Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenue</b>	<u>12,085</u>	<u>12,085</u>	<u>4,529</u>	<u>(7,556)</u>
<b>Expenditures:</b>				
<b>Public Works:</b>				
<b>Highways and Streets:</b>				
Wages	5,500	5,500	300	(5,200)
Employee Fringes	-	-	-	-
Administration	200	200	100	(100)
Repairs and Maintenance	12,300	12,300	934	(11,366)
Rentals	<u>12,000</u>	<u>12,000</u>	<u>20,739</u>	<u>8,739</u>
<b>Total Expenditures</b>	<u>30,000</u>	<u>30,000</u>	<u>22,073</u>	<u>(7,927)</u>
<b>Excess (deficiency) of revenues over     expenditures</b>	(17,915)	(17,915)	(17,544)	371
<b>Other financing sources (uses):</b>				
Operating transfers in	<u>20,000</u>	<u>20,000</u>	<u>17,000</u>	<u>(3,000)</u>
<b>Total other financing sources (uses)</b>	<u>20,000</u>	<u>20,000</u>	<u>17,000</u>	<u>(3,000)</u>
<b>Excess (deficiency) of revenues and     other financing sources over     expenditures</b>	2,085	2,085	(544)	(2,629)
<b>Fund Balance, March 1</b>	<u>1,003</u>	<u>1,003</u>	<u>1,003</u>	<u>-</u>
<b>Fund Balance, February 28</b>	<u>\$ 3,088</u>	<u>\$ 3,088</u>	<u>\$ 459</u>	<u>\$ 371</u>

*The accompanying notes are an integral part of these financial statements.*

Village of Bear Lake  
Required Supplementary Information  
Budgetary Comparison Schedule  
Park Fund  
For the Year Ended February 28, 2006

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenue:				
Charges for Services:				
Park fees	\$ 39,700	\$ 39,700	\$ 34,256	\$ (5,445)
Interest Revenue	700	700	1,196	496
Other Revenue	945	945	955	10
Total Revenue	41,345	41,345	36,407	(4,938)
Expenditures:				
Culture and Recreation:				
Parks:				
Wages	6,000	6,000	5,876	(124)
Supplies	-	-	2,616	2,616
Professional Services	1,350	1,350	2,432	1,082
Garbage Collection	1,500	1,500	1,023	(477)
Telephone	-	-	-	-
Printing and Publishing	200	200	129	(71)
Utilities	3,000	3,000	2,805	(195)
Repairs and Maintenance	3,500	3,500	1,711	(1,789)
Equipment Rental	16,000	16,000	17,536	1,536
Miscellaneous Expense	200	200	1,214	1,014
Refunds	300	300	204	(96)
Park Improvements	-	-	-	-
Capital Outlay	-	-	-	-
Total Expenditures	32,050	32,050	35,546	3,496
Excess of revenues over expenditures	9,295	9,295	861	(8,434)
Fund Balance, March 1	43,137	43,137	43,137	-
Fund Balance, February 28	\$ 52,432	\$ 52,432	\$ 43,998	\$ (8,434)

*The accompanying notes are an integral part of these financial statements.*

**Village of Bear Lake**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Equipment Replacement Fund**  
**For the Year Ended February 28, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue:</b>				
Local Grants	\$     -	\$     -	\$     -	\$     -
Interest Revenue	<u>125</u>	<u>125</u>	<u>125</u>	<u>-</u>
<b>Total Revenue</b>	<u>125</u>	<u>125</u>	<u>125</u>	<u>-</u>
<b>Expenditures:</b>				
General Government:				
Village Hall and Grounds:				
Professional Services	25	25	-	(25)
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>25</u>	<u>25</u>	<u>-</u>	<u>(25)</u>
<b>Excess of revenues over     expenditures</b>	<u>100</u>	<u>100</u>	<u>125</u>	<u>25</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	5,000	5,000	10,000	5,000
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>5,000</u>	<u>5,000</u>	<u>10,000</u>	<u>5,000</u>
<b>Excess (deficiency) of revenues and     other financing sources over     expenditures and other financing     uses</b>	5,100	5,100	10,125	5,025
<b>Fund Balance, March 1</b>	<u>5,544</u>	<u>5,544</u>	<u>5,544</u>	<u>-</u>
<b>Fund Balance, February 28</b>	<u><u>\$ 10,644</u></u>	<u><u>\$ 10,644</u></u>	<u><u>\$ 15,669</u></u>	<u><u>\$ 5,025</u></u>

*The accompanying notes are an integral part of these financial statements.*

**Village of Bear Lake**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Building Fund**  
**For the Year Ended February 28, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue:</b>				
Interest Revenue	\$ 1,400	\$ 1,400	\$ 1,579	\$ 179
<b>Total Revenue</b>	<u>1,400</u>	<u>1,400</u>	<u>1,579</u>	<u>179</u>
<b>Expenditures:</b>				
General Government:				
Village Hall and Grounds:				
Professional Services	25	25	25	-
Miscellaneous Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>25</u>	<u>25</u>	<u>25</u>	<u>-</u>
<b>Excess of revenues over     expenditures</b>	<u>1,375</u>	<u>1,375</u>	<u>1,554</u>	<u>179</u>
<b>Other financing sources:</b>				
Operating transfers in	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
<b>Total other financing sources</b>	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>
<b>Excess of revenues and other     financing sources over     expenditures</b>	1,375	1,375	5,554	4,179
<b>Fund Balance, March 1</b>	<u>55,053</u>	<u>55,053</u>	<u>55,053</u>	<u>-</u>
<b>Fund Balance, February 28</b>	<u><u>\$ 56,428</u></u>	<u><u>\$ 56,428</u></u>	<u><u>\$ 60,607</u></u>	<u><u>\$ 4,179</u></u>

*The accompanying notes are an integral part of these financial statements.*

## *SUPPLEMENTAL DATA*



**Village of Bear Lake**  
**Manistee County, Michigan**  
**General Fund**  
**Statement of Revenues and Other Financing Sources**  
**For the Year Ended February 28, 2006**

**REVENUES:**

*Current Taxes:*

Property taxes	\$ 52,127
Administration fees	-
	<u>52,127</u>

*State Grants:*

Liquor license fees	-
Sales tax	32,828
	<u>32,828</u>

*Interest and Rent:*

Interest	890
Rent	63,502
	<u>64,392</u>

*Other Revenue:*

Refunds/reimbursements	2,079
Contributions	541
Other/miscellaneous	3,139
	<u>5,759</u>

Total revenues	<u>155,106</u>
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**OTHER FINANCING SOURCES:**

Transfers from other funds	-
Total other financing sources	<u>-</u>

Total revenues and other financing sources	<u><u>\$ 155,106</u></u>
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*The accompanying notes are an integral part of this statement.*

Village of Bear Lake  
Manistee County, Michigan  
General Fund  
Statement of Expenditures and Other Financing Uses  
For the Year Ended February 28, 2006

**EXPENDITURES:**

***Legislative:***

*Board/Council/Legislative:*

Personal services	\$ 5,780
Supplies	-
Other services and support	-
	<u>5,780</u>

***General Government:***

*Elections:*

Personal services	-
Supplies	-
Other services and support	-
	<u>-</u>

*Clerk:*

Personal services	5,885
Supplies	127
Other services and support	-
	<u>6,012</u>

*Treasurer:*

Personal services	5,470
Supplies	1,285
Other services and support	960
	<u>7,715</u>

*Audit:*

Other services and support	-
	<u>-</u>

*Building and Grounds:*

Personal services	45,358
Supplies	94
Other services and support	21,059
	<u>66,511</u>

*Other General Services:*

Other services and support	13,645
	<u>13,645</u>

*The accompanying notes are an integral part of this statement.*

**Village of Bear Lake**  
**Manistee County, Michigan**  
**General Fund**  
**Statement of Expenditures and Other Financing Uses,**  
**continued**  
**For the Year Ended February 28, 2006**

**EXPENDITURES, continued:**

***Public Works:***

*Sidewalks and Trees*

Sidewalk Repairs

-

Trees

9,313

9,313

*Street Lights:*

Other services and support

3,769

3,769

*Sanitation/Refuse Collection:*

Other services and support

-

-

***Capital Outlay:***

Capital Improvements

-

-

**OTHER FINANCING USES:**

Transfers to other funds

22,000

22,000

Total expenditures and other financing uses

\$ 134,745

*The accompanying notes are an integral part of this statement.*

**Village of Bear Lake**  
**Manistee County, Michigan**  
**Combining Balance Sheet - All Special Revenue Funds**  
**As of February 28, 2006**

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Park Fund</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,183	\$ 14,455	\$ 48,171
Due from other funds	6,000	7,969	-
Due from other governmental entities	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u><u>15,183</u></u>	<u><u>22,424</u></u>	<u><u>48,171</u></u>
 <b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	112	-	-
Accrued Liabilities	-	-	981
Due to other funds	<u>14,326</u>	<u>21,965</u>	<u>3,192</u>
<b>Total Liabilities</b>	<u>14,438</u>	<u>21,965</u>	<u>4,173</u>
 <b>Fund Balances:</b>			
Unreserved:			
Undesignated	<u>745</u>	<u>459</u>	<u>43,998</u>
<b>Total fund balances</b>	<u>745</u>	<u>459</u>	<u>43,998</u>
 <b>Total Liabilities and Fund Balances</b>	<u><u>\$ 15,183</u></u>	<u><u>\$ 22,424</u></u>	<u><u>\$ 48,171</u></u>

*The accompanying notes are an integral part of these financial statements.*

Equipment Replacement Fund	Building Fund	Total
\$ 15,669	\$ 61,211	\$ 148,689
-	-	13,969
-	-	-
15,669	61,211	162,658
-	-	112
-	-	981
-	604	40,087
-	604	41,180
15,669	60,607	121,478
15,669	60,607	121,478
\$ 15,669	\$ 61,211	\$ 162,658

**Village of Bear Lake**  
**Manistee County, Michigan**  
**Combining Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - All Special Revenue Funds**  
**For the Year Ended February 28, 2006**

	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Park Fund</u>
<b>Revenues:</b>			
State revenue sharing	\$ 9,476	\$ 4,317	\$ -
Local Grants	-	-	-
Charges for services	-	-	34,256
Interest	794	212	1,196
Miscellaneous	-	-	955
	<u>10,270</u>	<u>4,529</u>	<u>36,407</u>
<b>Total Revenues</b>			
<b>Expenditures:</b>			
General government:			
Village hall and grounds	-	-	-
Public works:			
Highways and streets	19,008	22,073	-
Culture and recreation:			
Parks	-	-	35,546
Library	-	-	-
Capital outlay	-	-	-
	<u>19,008</u>	<u>22,073</u>	<u>35,546</u>
<b>Total Expenditures</b>			
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(8,738)</u>	<u>(17,544)</u>	<u>861</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	-	17,000	-
Operating transfers out	(9,000)	-	-
<b>Total other financing sources (uses)</b>	<u>(9,000)</u>	<u>17,000</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other sources over expenditures and other uses</b>	(17,738)	(544)	861
<b>Fund balances, beginning of the year</b>	<u>18,483</u>	<u>1,003</u>	<u>43,137</u>
<b>Fund balances, end of the year</b>	<u>\$ 745</u>	<u>\$ 459</u>	<u>\$ 43,998</u>

*The accompanying notes are an integral part of these financial statements.*

<u>Equipment Replacement Fund</u>	<u>Building Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 13,793
-	-	-
-	-	34,256
125	1,579	3,906
-	-	955
<u>125</u>	<u>1,579</u>	<u>52,910</u>
-	25	25
-	-	41,081
-	-	35,546
-	-	-
-	-	-
<u>-</u>	<u>25</u>	<u>76,652</u>
<u>125</u>	<u>1,554</u>	<u>(23,742)</u>
10,000	4,000	31,000
-	-	(9,000)
<u>10,000</u>	<u>4,000</u>	<u>22,000</u>
10,125	5,554	(1,742)
5,544	55,053	123,220
<u>\$ 15,669</u>	<u>\$ 60,607</u>	<u>\$ 121,478</u>

Dale L. Stanton  
*Certified Public Accountant*

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**Management Letter**

To the Village Council  
Village of Bear Lake  
Bear Lake, MI

I have completed my audit of the financial statements of the Village of Bear Lake for the year ended February 28, 2006, and have issued my report thereon dated October 31, 2006. As part of my examination, I made a study and evaluation of the Village's system of internal accounting control to the extent I considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of my study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Village's financial statements. My study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Village's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute, assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

My study and evaluation was made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, I do not express an opinion on the system of internal accounting control of the Village of Bear Lake taken as a whole.



The following comments and recommendations are submitted to assist in improving procedures and controls. I would be pleased to discuss these suggestions or to respond to any questions at your convenience.

#### Equipment Rental Rates

It was noted that the Village did not utilize the equipment rental rates presented in the Michigan Department of Transportation Equipment Rental Rates (Schedule C) for the entire year. Act 51 requires internal service – equipment rental charges, be based on the State's Schedule C rates. It is recommended that the Village submit their rental rates to the State for approval prior to incurring any charges with the Major or Local Street Funds.

#### Interim Financial Reporting

As described in the *Uniform Accounting Procedures Manual* for Counties and Local Units of Government in Michigan, legislative bodies must be provided periodic financial reports. The required periodic reports and suggested frequency should include the following:

- Summary report of cash activity by fund (monthly)
- Summary report of cash activity by bank account, certificate of deposit and investment account (monthly)
- Balance sheet by fund (monthly)
- Detail revenue by fund – budget to actual (monthly)
- Detail expenditures by fund – budget to actual (monthly)
- List of bills to be approved for payment (each meeting)
- Separate list of bills paid prior to approval pursuant to a council approved policy (each meeting)

My inquiries indicated that all of these reports are not routinely presented to the Council for review. I therefore recommend that the above reports be prepared to assist the Council with its oversight responsibility. State law requires a budget for general and special revenue funds. Expenditures within these funds cannot exceed the budget.

#### General Accounting

The Village utilizes a software program for internal accounting that does not force balanced transactions within funds. The Michigan Department of Treasury's Uniform Accounting Procedures Manual states the each fund consists of a self-balancing group of accounts and constitutes a general ledger in itself. There were several transactions noted that were unbalanced during the course of the fiscal year. It is recommended that the Village closely monitor its postings to general ledger accounts to ensure that transactions are balanced.

Village of Bear Lake  
October 31, 2006  
Page 3

This report is intended solely for the information and use of the Village Council, management, and the State of Michigan, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

I would like to thank the Village staff for their assistance during the course of my audit. Again, if the Council would like to discuss any matters discussed in this letter, or would like assistance implementing any of my suggestions, please do not hesitate to contact me.

Regards,

A handwritten signature in black ink, appearing to read 'D. Stanton', with a stylized flourish at the end.

Dale L. Stanton  
Certified Public Accountant

October 31, 2006